



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

<http://www.michigan.gov/treasury>

## February 2004 Summary

**U.S. Economy:** February economic indicators were mixed but still point to continued, sustained economic growth for the nation. ISM indices signaled an expanding manufacturing sector for the ninth straight month and an expanding service sector for the eleventh consecutive month. The February index of leading economic indicators remained unchanged, but the past few months were revised upward. For the sixth straight month, industrial production was up from a year ago. Capacity utilization was up from a year ago for the fourth straight month. Retail sales were up from the past month and increased 7.9 percent from a year ago. Consumer sentiment declined sharply in February, wiping out January's gain. In the last week of February, the weekly initial unemployment claims four-week moving average was 352,500, up slightly from the end of January but still well below recent months.

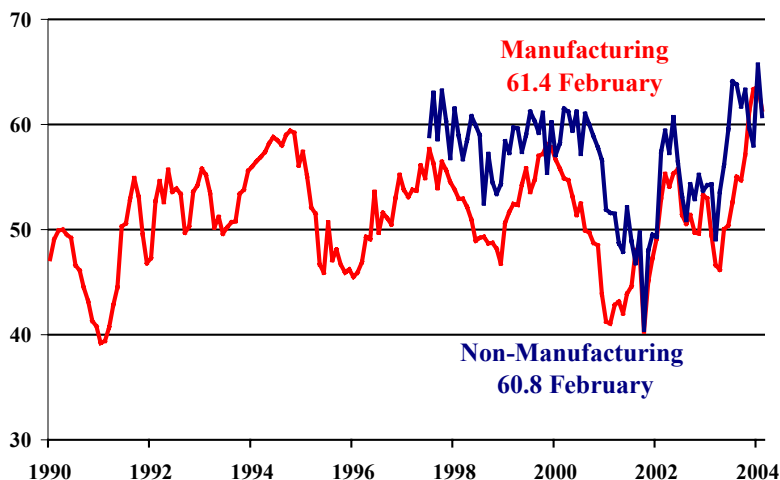
**Employment:** Michigan's February unemployment rate remained unchanged from last month at 6.6 percent. Michigan payroll employment fell by 8,000 jobs in February. The national unemployment rate remained unchanged at 5.6 percent. In the U.S., February payroll employment rose by 21,000 jobs, after a revised 97,000 job increase in January.

**Auto Industry:** February light vehicle sales rose to 16.3 million units, up slightly from last month. Compared to a year ago, the three-month average of vehicle production was up 0.9 percent nationally but fell 1.4 percent in Michigan. Light vehicle inventories were up 3.9 percent from a year ago.

**Inflation:** Compared to a year ago, overall national consumer prices rose 1.7 percent; excluding food and energy prices, "core" consumer prices rose 1.2 percent. The Detroit consumer price index rose 0.5 percent from a year ago.

**Michigan Metro Areas:** Seasonally unadjusted January unemployment rates ranged between 4.2 percent and 12.4 percent for the twelve major labor market areas. County unemployment rates ranged between 3.2 percent (Washtenaw) and 21.7 percent (Mackinac).

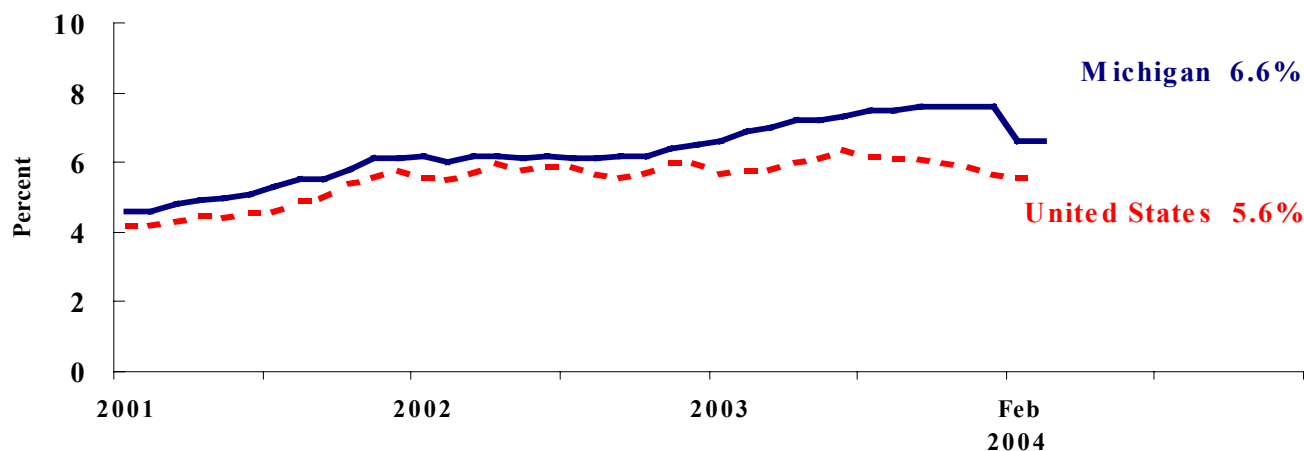
## ISM Indices Signal Continued Growth <sup>(i)</sup>



## Labor Market Statistics

- Michigan's unemployment rate for February remained unchanged at 6.6 percent. The labor force and unemployment level both decreased 3,000 (see below). Please note that due to the benchmarking process, 2003 and 2004 levels are not directly comparable for both the U.S. and Michigan. The current Michigan jobless rate is 0.3 of a percentage point below a year ago. The February U.S. unemployment rate also remained unchanged from last month at 5.6 percent. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

### Michigan and U.S. Monthly Unemployment Rates 2001 to 2004



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Department of Labor

- The number of people employed in Michigan was 4,739,000 in February, up 1,000 from last month, while the labor force was 5,071,000 in February. The statewide total number of unemployed fell to 333,000.
- United States household employment totaled 138.3 million persons in February, down 265,000 from January. The labor force decreased by 392,000 from last month, which meant that there were 127,000 fewer unemployed people nationally, compared to January 2004.

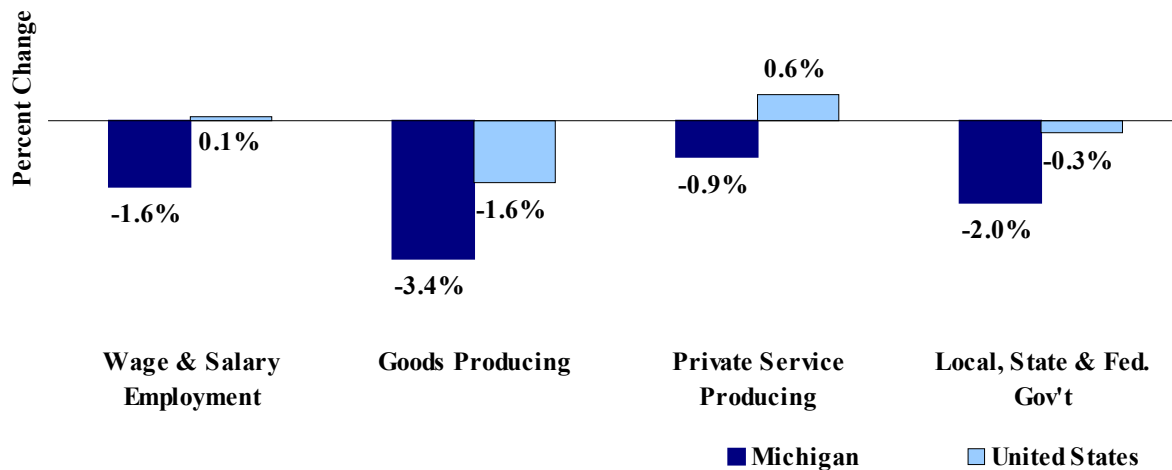
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2003 Average	Dec 2003	Jan 2004	Feb 2004	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,042	5,050	5,074	5,071	-3	-0.1%	n.a.	n.a.
Employed	4,674	4,665	4,738	4,739	1	0.0%	n.a.	n.a.
Unemployed	368	385	336	333	-3	-0.9%	n.a.	n.a.
Unemployment Rate	7.3%	7.6%	6.6%	6.6%	n.a.	0.0% pts	n.a.	-0.3%
United States								
Labor Force	146,510	146,878	146,863	146,471	-392	-0.3%	n.a.	n.a.
Employed	137,736	138,479	138,566	138,301	-265	-0.2%	n.a.	n.a.
Unemployed	8,774	8,398	8,297	8,170	-127	-1.5%	n.a.	n.a.
Unemployment Rate	6.0%	5.7%	5.6%	5.6%	n.a.	0.0% pts	n.a.	-0.3%

## Employment by Place of Work

- From February 2003 to February 2004, Michigan wage and salary employment declined 71,000 (1.6 percent). State wage and salary employment fell 8,000 from January. Nationally, February 2004 wage and salary employment rose 122,000 (0.1 percent) from a year ago and was up 21,000 from January 2004.

### Wage and Salary Employment Growth February 2003 to February 2004



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- In the goods producing sector and private service-producing sector, February employment fell 3.4 percent and 0.9 percent, respectively, from a year ago in Michigan. From a year ago, February national employment fell 1.6 percent in the goods-producing sector but rose 0.6 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan rose by 0.8 hours compared to last year.

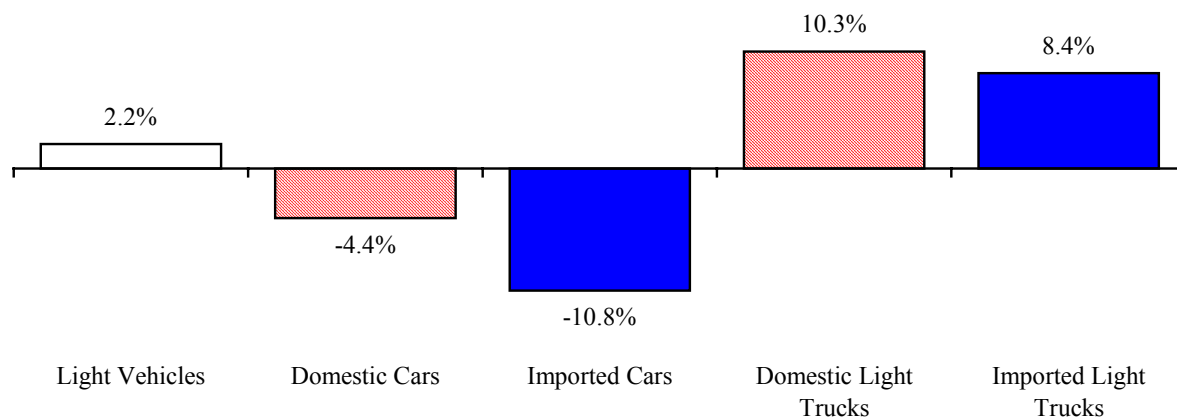
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2003 Average	Feb 2003	Feb 2004	Percent Change	2003 Average	Feb 2003	Feb 2004	Percent Change
Wage & Salary Employment	4,412	4,440	4,368	-1.6%	129,932	130,031	130,153	0.1%
Goods Producing	925	941	909	-3.4%	21,817	22,005	21,663	-1.6%
Manufacturing	727	743	715	-3.8%	14,525	14,770	14,308	-3.1%
Private Service Producing	2,805	2,811	2,785	-0.9%	86,538	86,401	86,931	0.6%
Trade, Trans. & Utilities	815	821	809	-1.5%	25,275	25,352	25,295	-0.2%
Services	1,700	1,702	1,687	-0.9%	50,092	49,883	50,485	1.2%
Local, State & Fed. Gov't	681	689	675	-2.0%	21,575	21,625	21,559	-0.3%
Manufacturing Weekly Hours	42.1	42.2	43.0	0.8 hrs	40.4	40.4	41.0	0.6 hrs

## Motor Vehicle Industry Sales

- Light vehicle sales increased slightly in February to a 16.3 million unit rate, up 1.7 percent from last month and up 4.8 percent from a year ago.
- Compared to a year ago, domestic sales increased 6.0 percent while foreign sales rose 0.3 percent. Auto sales increased 0.2 percent; light truck sales rose 8.9 percent. Light vehicle inventories rose 3.9 percent from a year ago; days supply remained unchanged at 76 days.
- Year-to-date 2004 light vehicle sales are up 2.2 percent compared to last year. Domestic light truck sales are up 10.3 percent for the year, while import light truck sales are up 8.4 percent year-to-date in 2004. Domestic car sales are down 4.4 percent year-to-date while import car sales are down 10.8 percent.

### 2004 Light Vehicle Sales Slightly Up Year-to-Date



## Motor Vehicle Sales Statistics

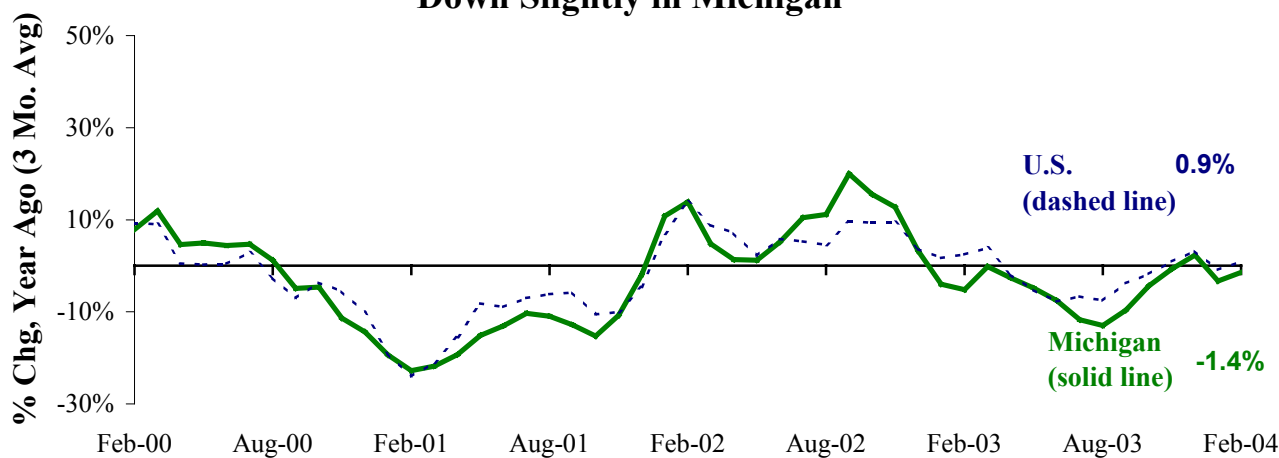
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2003 Average	Dec 2003	Jan 2004	Feb 2004	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.6	7.1	7.4	7.4	0.0	0.2%
Domestics	5.5	5.6	5.2	5.3	5.4	0.1	1.9%
Imports	2.1	2.0	1.8	2.1	2.0	(0.1)	-3.8%
Import Share	27.4%	25.8%	25.8%	28.0%	26.5%	-1.2% pts	
Light Trucks	9.0	10.1	9.0	8.9	9.3	0.7	8.9%
Domestics	7.8	8.9	7.8	7.7	8.1	0.6	9.0%
Imports	1.2	1.2	1.2	1.2	1.2	0.1	8.3%
Import Share	13.5%	11.5%	13.3%	13.7%	12.8%	-0.1% pts	
Total Light Vehicles	16.6	17.7	16.1	16.3	16.7	0.8	4.8%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.1	35.3%
Total Vehicles	17.0	18.1	16.5	16.7	17.1	0.9	5.4%
U.S. Light Vehicle Inventories <sup>(d)</sup>		Dec-03	Jan-04	Feb-04	3 Month	Change	
Total Car	1.552	1.554	1.619	1.638	1.604	-0.066	
Days Supply	62	70	85	68	74	-3 days	
Total Truck	2.151	2.183	2.264	2.384	2.277	0.216	
Days Supply	75	67	94	83	81	1 day	

## Motor Vehicle Industry Production

- At 235,754 units, February Michigan light vehicle production increased 2.9 percent from a year ago, compared with a 1.5 percent increase nationally. From a month ago, Michigan production rose 19.0 percent while national production increased 8.1 percent.
- Compared with a year ago, state car production fell 2.3 percent while state truck production rose 9.0 percent. Nationally, car production decreased 1.1 percent while truck production grew 3.0 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was down 1.4 percent from a year ago, compared with a 0.9 percent increase nationally.

### Light Vehicle Production Up Slightly Nationwide Down Slightly in Michigan



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2003 Average	Dec 2003	Jan 2004	Feb 2004	3 Month Average	Change from Year Ago	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	376.4	309.2	334.0	369.8	337.7	(4.1)	-1.1%
Trucks	634.6	591.5	623.1	664.3	626.3	19.6	3.0%
Total	1,011.0	900.7	957.0	1,034.1	964.0	15.5	1.5%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	127.2	114.9	105.1	120.2	113.4	(2.8)	-2.3%
Trucks	104.8	100.0	93.0	115.5	102.9	9.5	9.0%
Total	232.0	214.9	198.2	235.8	216.3	6.7	2.9%
Michigan as % of U.S.	22.9%	23.9%	20.7%	22.8%	22.4%	0.3% pts	

## January 2004 Unemployment Rate Fell in Six Areas (Not Seasonally Adjusted)

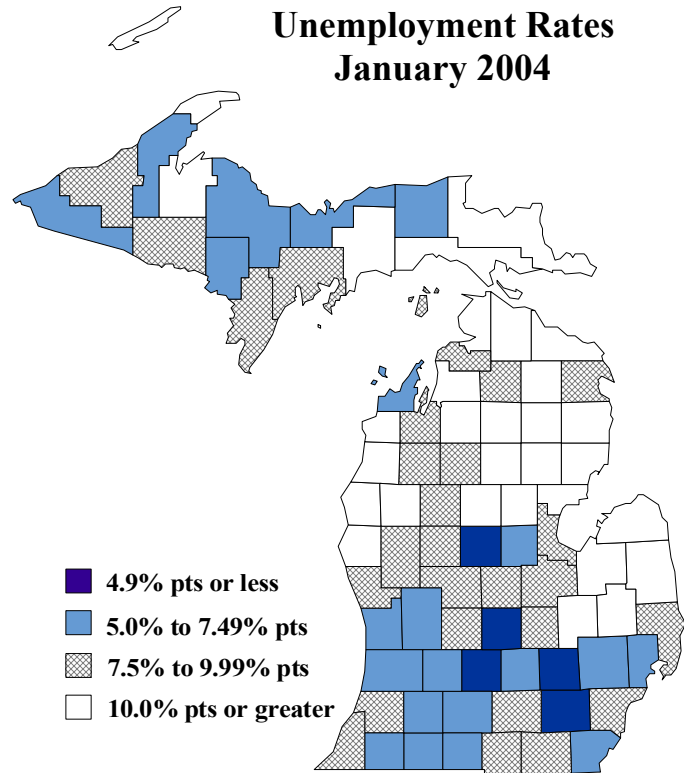
Compared to a year ago, January 2004 unemployment rates fell in six of the major labor market areas. Two major labor market areas reported unemployment rate decreases of more than 1.0 percentage point. Two of Michigan's nine MSAs reported unemployment rate decreases of 0.5 percentage points.

Among the state's MSAs, the Grand Rapids MSA and Jackson MSA both reported the largest decline from a year ago with a 0.5 percentage point decrease. The Benton Harbor MSA reported the largest increase from a year ago, up 0.4 percentage points.

January 2004 unemployment rates ranged between 4.2 percent (Ann Arbor) and 10.1 percent (Flint). Ann Arbor was the only labor market area to report an unemployment rate below 5.0 percent. Compared to December's unemployment rates, all twelve areas reported unemployment rate increases.

### Local Area Unemployment Rates<sup>(g)</sup>

<u>Local Area</u>	<u>Jan 2003 Rate</u>	<u>Jan 2004 Rate</u>	<u>Latest 3 Month Average</u>
Michigan	7.6%	7.6%	7.1%
Ann Arbor MSA	4.3%	4.2%	3.9%
Benton Harbor MSA	7.6%	8.0%	7.5%
Detroit PMSA	7.3%	7.6%	7.1%
Flint MSA	10.1%	10.1%	9.3%
GR-Musk-Holl MSA	7.8%	7.3%	7.1%
Jackson MSA	8.2%	7.7%	7.4%
Kal-Battle Creek MSA	6.6%	6.6%	6.3%
Lansing MSA	4.9%	5.2%	4.8%
Sag-Bay-Midland MSA	8.8%	8.8%	8.1%
Upper Peninsula	9.8%	8.6%	8.0%
Northeast Lower Mich	13.5%	12.4%	11.1%
Northwest Lower Mich.	9.6%	9.0%	8.3%



Compared to January 2003, unemployment rates fell in 56 counties, rose in 22 counties, and remained unchanged in five counties. Compared to December 2003, unemployment rates fell in six counties, rose in 75 counties and remained unchanged in two counties.

Among Michigan's 83 counties, thirty counties reported a January unemployment rate of 10.0 percent or higher. Five counties recorded an unemployment rate of 5.0 percent or less.

Source: Michigan Department of Labor and Economic Growth. Due to methodological changes beginning in January 2004, household employment and unemployment level data are not comparable to earlier months.

## U.S. Economic Conditions

	<u>Nov-03</u>	<u>Dec-03</u>	<u>Jan-04</u>	<u>Feb-04</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	93.7	92.6	103.8	94.4	14.5 points
ISM Manufacturing Index <sup>(i)</sup>	61.3	63.4	63.6	61.4	12.0 points
ISM Non Manufacturing Index <sup>(i)</sup>	59.6	58.0	65.7	60.8	6.5 points
	<u>2003.1</u>	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	
Business Executives' Confidence <sup>(j)</sup>	53.0	60.0	67.0	66.0	8.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Nov-03</u>	<u>Dec-03</u>	<u>Jan-04</u>	<u>Feb-04</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	184.5	184.3	185.2	186.2	1.7%
Detroit CPI	NA	181.3	NA	183.4	0.5%
U.S. Producer Price Index	144.5	144.5	145.4	145.3	2.1%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	0.94%	0.90%	0.89%	0.92%	-0.24% points
Aaa Corporate Bonds <sup>(m)</sup>	5.65%	5.62%	5.54%	5.50%	-0.45% points
<b>INDUSTRIAL PRODUCTION <sup>(n)</sup></b>					
	112.9	112.9	113.8	114.6	2.7%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	75.7%	75.6%	76.1%	76.6%	1.2% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$323.1	\$324.5	\$325.2	\$327.2	7.9%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Oct-03</u>	<u>Nov-03</u>	<u>Dec-03</u>	<u>Jan-04</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.977	2.054	2.061	1.932	5.7%
Existing Home Sales <sup>(p)</sup>	6.390	6.130	6.370	6.000	1.0%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$185.8	\$181.3	\$184.4	\$179.3	5.6%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2002.4</u>	<u>2003.1</u>	<u>2003.2</u>	<u>2003.3</u>	<u>% Change From Year Ago</u>
Michigan	\$307.4	\$308.0	\$311.3	\$313.2	2.1%
U.S.	\$8,982.8	\$9,057.7	\$9,144.4	\$9,248.0	3.6%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<u>2003.1</u>	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,210.4	\$10,288.3	\$10,493.1	\$10,600.1	4.0%

**SOURCES AND NOTES:**

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) New Orders Excluding Semiconductors. Bureau of the Census, U.S. Department of Commerce.